
Request No. DTE 3-15:
Refer to FGE-JHA-1 (Electric) at 10. Please provide an explanation for the increase in accrual rates for common plant.

Response:
We are unable to respond with absolute certainty to this question. The reason is that to do so requires that we have the accrual rate parameters for the existing depreciation rates, i.e., at least the estimates of average service life and net salvage for each plant account.

Using the 1998 study (by Raytheon) and DTE Docket 98-51 order, we have developed what we think are the depreciation parameters implicit in the accrual rates ordered by the DTE. The dollar-weighted composite average service life of Common Plant we develop is 24.6 years, as opposed to the current study 20.9 years; similarly, the respective composite net salvage estimates are 4.6% and 3.2%. The whole life accrual rates which result are, respectively: 3.88% and 4.63%. These rates are derived by:

(100%/24.6 years) * (1-0.046) = 3.88% and (100%/20.9 years) * (1-0.032) = 4.63%

The total Common Plant accruals derived by multiplying 3.88% and 4.63% times the $2,452,627 balance are $95,162 and $113,557. This shows the difference in the whole life accruals to be $113,557 - $95,162 or $18,395.

The difference between the existing and proposed remaining life accruals is $51,139, derived by multiplying each plant account authorized remaining life accrual rate and by each proposed remaining life accrual rate. That is, $51,139 less $18,395 is $32,744, i.e., $32,744 of the difference is attributable to the amortization of the difference between the current study theoretical reserve and the actual Accumulated Provision for Depreciation.

Person Responsible: James H. Aikman